



Dolfines

Engineering-Heavy Constr. / France

H1: activity recovers in oil & gas

Earnings/sales releases - 02/11/2021

The net loss came in below expectations, most likely due to temporary unemployment measures phasing out but the outlook is positive, supported by the activity picking up in oil & gas. The latter is visible when comparing the revenue for H1 21 vs H2 20 (+100%), Q3 21 vs Q2 21 (+43% qoq), and in the number of calls for tenders received in the audit & inspection division (+30% in H1 21 vs H2 20).

Fact

H1 results

Revenue: €2m (+33% yoy)

EBITDA: €-0.7m (+36% yoy)

Net income: €-0.7m (+46% yoy)

Net cash: €0.1m (vs €0.7m in FY20)

Analysis

The net loss came in worse than expected, after the aggressive cost cuttings seen in H2 20, and most likely due to the ending of temporary unemployment measures. The positive is on the activity picking up after the poor 2020. It is indeed noteworthy to mention that revenue doubled in H1 21 vs H2 20 and that Q2 is up by 43% qoq.

The technical assistance division (H1 revenue of €0.75m, +36% yoy) benefited from the restart of some contracts that were suspended last year, and the recovery seen in Q2 is confirmed during Q3.

The audit & inspection division (H1 revenue of €0.89m) has seen its commercial activity focused on the Middle East, with contracts awarded from new customers (e.g. UAE, Iraq, Oman) and it has been approved as a supplier by Saudi Aramco. All in all, this confirms the rather resilient drilling activities in the Middle East, where capex cuts were less pronounced than in the rest of the world (notably US shale). The press release also mentions, deep offshore inspection services in Brazil, where deepwater remains competitive (e.g. giant Búzios field is expected to break-even at \$35/bbl).

Lastly, in renewables, the company has started the 15MW floater project (Trussfloat15), with a tank testing campaign planned for early 2022. Dolfines is also studying a heavy maintenance programme to be performed on the turbines and onsite.

Impact

We will adjust our model following this release.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy **Upside: 69.0%**

Target Price (6 months) € 0.68

Share Price € 0.40

Market Cap. €M 7.68

Price Momentum **NEGATIVE**

Extremes 12Months 0.38 ▶ 1.55

Sustainability score 2.4 /10

Credit Risk DDD →

Bloomberg ALDOL FP Equity

Reuters ALDOL.PA

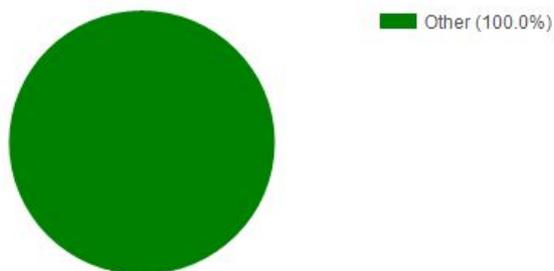
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PERF	1w	1m	3m	12m
Dolfines	-14.1%	-10.8%	-16.1%	-12.0%
Capital Goods	1.99%	3.90%	-0.31%	35.5%
STOXX 600	1.41%	5.73%	3.71%	39.9%

Last updated: 05/10/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-3.44	-7.68	-12.8	-12.5
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-5.76	-11.9	-28.7	-30.7
Adjusted EPS (€)	-0.15	-0.05	-0.03	-0.03
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	2,525	5,480	6,873	8,307
EBIT margin (%)	-67.5	-15.8	-6.50	-4.93
Attributable net profit (€th)	-2,323	-1,117	-764	-793
ROE (after tax) (%)	-121	-38.7	-20.4	-21.5
Gearing (%)	79.4	15.6	-7.40	-7.47

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	2,525	5,480	6,873
Change in sales	%	-58.1	117	25.4
Change in staff costs	%	-49.6	116	12.9
EBITDA	€th	-1,827	-657	-289
EBITDA(R) margin	%	-72.4	-12.0	-4.20
Depreciation	€th			
Underlying operating profit	€th	-1,934	-928	-575
Operating profit (EBIT)	€th	-1,934	-928	-575
Net financial expense	€th	-71.6	-189	-189
of which related to pensions	€th		-2.85	-3.51
Exceptional items & other	€th	-306	0.00	0.00
Corporate tax	€th	-11.8	0.00	0.00
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	-2,323	-1,117	-764
NOPAT	€th	-1,354	-647	-400

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	-1,827	-657	-289
Change in WCR	€th	0.00	-200	0.00
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th		0.00	0.00
Exceptional items	€th			
Other operating cash flows	€th			
Total operating cash flows	€th	-1,827	-857	-289
Capital expenditure	€th	-300	-300	-300
Total investment flows	€th	-300	-1,300	-300
Net interest expense	€th	-71.6	-189	-189
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	3,200	3,330	1,450
Total financial flows	€th	3,128	4,257	575
Change in cash position	€th	1,001	2,101	-14.1
Free cash flow (pre div.)	€th	-2,199	-1,346	-778

Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	18,546	18,846	21,786
Number of diluted shares (average)	Th	15,637	21,366	24,436
Benchmark EPS	€	-0.15	-0.05	-0.03
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 1.14	35%	● Saipem
NAV/SOTP per share	€ 1.23	20%	● TechnipFMC
EV/Ebitda	€ 0.00	20%	● Nordex SE
P/E	€ 0.20	10%	● Elecnor
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.25	5%	
TARGET PRICE	€ 0.68	100%	

NAV/SOTP Calculation

Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th			
Total intangible	€th	3,009	3,038	3,052
Tangible fixed assets	€th	10.3	10.3	10.3
Financial fixed assets	€th			
WCR	€th	821	1,021	1,021
Other assets	€th	82.7	57.1	57.1
Total assets (net of short term liab.)	€th	4,204	4,407	4,421
Ordinary shareholders' equity	€th	2,374	3,401	4,089
Quasi Equity & Preferred	€th			
Minority interests	€th	0.00	0.00	0.00
Provisions for pensions	€th		164	166
Other provisions for risks and liabilities	€th	25.5	25.5	25.5
Total provisions for risks and liabilities	€th	25.5	189	192
Tax liabilities	€th	781	781	781
Other liabilities	€th	0.00	0.00	0.00
Net debt (cash)	€th	1,023	35.4	-640
Total liab. and shareholders' equity	€th	4,204	4,407	4,421

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	3,840	4,069	4,083

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	-121	-38.7	-20.4
ROCE	%	-35.2	-15.9	-9.79
Gearing (at book value)	%	79.4	15.6	-7.40
Adj. Net debt/EBITDA(R)	x	-0.56	-0.05	2.22
Interest cover (x)	x	-27.0	-4.98	-3.10

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	-3.44	-7.68	-12.8
Free cash flow yield	%	-23.2	-17.8	-8.90
P/Book	x	3.99	2.22	2.14
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	9,473	7,561	8,740
+ Provisions	€th	25.5	189	192
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	1,023	35.4	-640
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	10,521	7,786	8,292
EV/EBITDA(R)	x	-5.76	-11.9	-28.7
EV/Sales	x	4.17	1.42	1.21

Analyst : Kevin Vo, Changes to Forecasts : 05/10/2021.